

# **THE TAXPAYER PROTECTION AND IRS ACCOUNTABILITY ACT OF 2003**

## **SUMMARY**

The Taxpayer Protection and IRS Accountability Act of 2003 contains provisions that would assist taxpayers by reforming the penalty and interest sections of the Internal Revenue Code and provides new safeguards against unfair IRS collection procedures. The bill improves the efficiency of tax administration and increases confidentiality of taxpayer information.

## **KEY HIGHLIGHTS**

### 1. REFORM PENALTY AND INTEREST PROVISIONS

- Grant a first-time penalty waiver to individual taxpayers in cases where minor negligence results in a liability that is disproportionate and unreasonable.
- Allow an exemption for interest paid to individual taxpayers by the IRS in order to equalize the after-tax interest rate on overpayments and underpayments.
- Raise the safe harbor for failure to pay estimated tax from \$1,000 to \$1,600.

### 2. IMPROVE THE FAIRNESS OF IRS COLLECTION PROCEDURES

- Allow taxpayers to enter into installment agreements for less than the full amount of their tax liability.

### 3. IMPROVE THE EFFICIENCY OF TAX ADMINISTRATION

- Allow electronic filers until April 30<sup>th</sup> to file their individual income tax returns.
- Make unauthorized browsing of taxpayer records one of the “ten deadly sins” and grant the IRS Commissioner authority to specify penalties up to and including termination for improper activities by IRS employees.
- Simplify tax filing for family businesses.

### 4. ENHANCE TAXPAYER INFORMATION CONFIDENTIALITY

- Limit IRS inspection of return preparers when they conduct taxpayer examinations.
- Allow taxpayers to consult with the Taxpayer Advocate Service on a confidential basis.

### 5. AUTHORIZATION FOR LOW INCOME TAXPAYER CLINICS

- Increase authorization from \$6 million to \$9 million for 2004, \$12 million for 2005 and \$15 million for subsequent years.